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Saudi Arabia

Planting Seeds

Saudi Arabia to Ban Forage Production 2002

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Report Highlights:

The Saudi Minister of Agriculture disclosed recently his plan to stop forage production in Saudi Arabia in the near future. In 2000, U.S. supplied 77 percent of the total forage seed importers to the Kingdom.

Includes PSD changes: No
Includes Trade Matrix: No
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Saudi Arabia Plans to Ban Forage Production

On October 23, 2002, the Saudi Minister of Agriculture (MOA), Dr. Abdullah Bin Moamar, announced his future plan to stop forage farming in Saudi Arabia due to the negative effect that the farming has on non-renewable fossil water. Forage production in Saudi Arabia depends on 24-hour central pivot irrigation systems. However, the Minister did not indicate exactly when he plans to ban forage production. The MOA's intention to ban or drastically reduce forage cultivation has been rumored for the past two years but the MOA has never confirmed or refuted the rumors until last month.

Forage Imports:

In 2000, the Kingdom imported USD 9,541,000 worth of forage seed of which alfalfa seed constituted more than 91 percent of the total forage seed imports. With 77 percent market share, U.S. has been the dominant supplier of forage seed to Saudi Arabia followed by Australia (7%), Iran (3%) and Zimbabwe (3%). In 2000, alfalfa seed accounted for 73 percent of the total U.S. forage exports to Saudi Arabia.

Feed Alternatives:

According to informed sources, the MOA is studying all feed alternatives such as barley and wheat hays and other cost effective feeding options to suggest to livestock farmers before instituting the ban. However, the government has no intention on increasing the consumption of feed alternatives that depend on considerable government subsidies such as corn and barley due to the current budget deficit and the SAG's recent efforts to become more fiscally responsible.

Subsidized Feeds:

Currently, the SAG provides a subsidy of \$42.67 (160 Saudi Riyals) per metric ton for imported corn and soybean meal. The corn subsidy is based on U.S. number 2 yellow corn. Locally produced barley is bought by the Government at \$266.67 per metric ton while imported barley is sold to livestock farmers at a subsidized price of \$96 per metric ton (the Kingdom imports 5-6 million metric tons of barley annually, and is the number one barley importer in the world.)

Concern for Water Reduces Grain Production:

The SAG started to focus on water issues in the early 90s when several reports indicated that the underground water levels (non-renewable fossil water) were dropping to low levels due to heavy usage in grains production (grain is produced on 24-hour pivotal irrigation system). In some heavy grain producing areas, water levels have been dropping by more than 5 meters annually and some farmers have to dig about 1,000 meters to reach water levels. In response to the reports, the government drastically cut wheat production from 4.5 million metric tons in 1992 to 1.8 million metric tons in 1993 (the level maintained since 1993). Similarly,

barley production was gradually reduced from 2.2 million metric tons to the current level of 100,000 metric tons.

With wells dug and center pivots in place, many wheat & barley farmers opted to turn their idled lands into forage production paving the way for increased output of alfalfa and Sudan grass to supply the growing dairy industry both in the Kingdom and in nearby Gulf Cooperation Council (GCC) countries. It took the government a while to evaluate the impact of increased forage production on ground water. In 1999, a MOA study revealed that forage production was as bad if not worst than grain production in depleting non-renewable fossil water. To lessen the impact of increased forage production on underground water, the government banned forage exports in 2000. Before the ban, the Kingdom exported 15 percent of the total forage production to GCC countries. According to MOA data, the ban decreased forage production by about 11 percent from 1999 to 2000 (from 3,606,000 metric tons to 3,262,000 metric tons).

Establishment of Ministry of Water:

Due to the severity of water shortage in the country, the SAG appointed a Minister on September 16, 2002 to head the Ministry of Water (MOW) which was created last year to specialize in water related issues in the Kingdom. Following are some of the main responsibilities of the MOW:

1. License digging of wells for agricultural use and determine their depths.
2. Develop the country's water policies and propose new regulations to preserve water.
3. Conduct a study on water tariffs for all groups of beneficiaries and to set out a plan to ensure effective collection of water revenues.
4. Conduct studies on water resources and to prepares a national plan for water. The Ministry will prepare a comprehensive plan to establish water and sewage networks all over the Kingdom.

End of Report